

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 77 – HB 502

March 13, 2009

SUMMARY OF BILL: Enacts the “Property Owners Bill of Rights,” which amends laws relative to government power of eminent domain, including changes in the property valuation process and establishing guidelines for public takings.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$1,000,000

Increase Local Expenditures – Exceeds \$1,000,000*

Other Fiscal Impact – Changes in property tax collections may occur as a result of this bill. Currently, if a government acquires property through the power of eminent domain, the property may become a tax-exempt parcel. If the parcel is then leased to a private entity, payment in lieu of tax payments (PILOT) may be negotiated. The amount of any PILOT would vary and may differ from the tax collected prior to the government’s exercise of eminent domain. Under this bill, these transactions may no longer take place. The impact on property tax revenue cannot be reasonably quantified due to these variables.

Assumptions:

- There will be an increase in state and local expenditures due to the increase in the value of payments made to property owners. These increases are estimated to exceed \$1,000,000.
- The use of eminent domain for traditional purposes, such as road construction, would still be a permissible public use and would continue under this legislation.
- Any administrative cost to state and local government will be equivalent to the cost to sell property in the absence of this legislation.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

/kmc